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Burlington Retirement Committee

Meeting of the Committee Members

Agenda

September 30, 2014 5:00pm – 7:00pm

Contois Auditorium, City Hall

149 Church St., Burlington Vermont 05401

5:00pm – 5:05 pm **Approve Agenda**

Jim Strouse moved to approve, Bob Hooper seconded
Approved unanimously

Review and Approval of September 2, 2014 meeting minutes

Councilor Bushor approved; Councilor Mason seconded
Approved unanimously

5:05pm – 5:10pm **Public Comment**

Ron Ruloff

5:10pm – 6:40pm **Review of Summary Paper of Retirement Committee Discussions**
All, with Keith Brainard

Bob Rusten: For context on tonight's discussion, coming out of last meeting a frustration expressed by some about the extent of progress and a desire to wrap up soon. So, Brian and I drafted a paper summarizing where we are and outlining several recommendations. Also, the resolution that created this committee requires a report of some kind, and this could form the basis of that. We'd like to get some feedback on that draft tonight – starting with broad comments and then turning to the more specific.

Councilor Bushor: I think the report does encapsulate what the Committee has discussed. I found the report helpful, and I think it will be a useful document to update the Council with. I also like that it has put into place helpful suggestions.

Mike Flora: I think it lends good structure to what we've done so far. A few things that made me uncomfortable: We need to clarify who we are talking about – is it new employees, is it active employees, or retirees. There was mention at the last meeting of retirees. I want to be on record – again – about not supporting that. People have contacted me with concerns about changes impacting what they have accrued. There are legal and moral reasons why that cannot be touched. In particular, there is a consequence of potentially losing people with experience across the City who are worried about their retirement. The City could lose that experience, and there is also a substantial cost to recruiting new employees. Lastly, I think it is worth having a public forum as well to update people on what we've done.

Bob Hooper: I think the paper is excellent and gets the issues out on the table – there is nothing hidden here, and it is important to get everything out early. I think this is a good representation of what we've discussed thus far.

Bob Rusten: Keith, I know that Brian shared this with you. Can you confirm that this is accurate and consistent with the material you presented?

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Keith Brainard: Yes. It is a good paper that captures accurately the substance of the discussion. One other thought: An earlier speaker talked about employees wanting to leave in order to avoid any changes to the retirement system. That is based on a misunderstanding – whatever reform takes place should encompass people regardless of their status, and made in a conscious way that does not incentivize employees to leave early.

Mayor Weinberger: Keith's point is a good one – we do not want to incentivize people to leave early.

John Federico: At least one of these recommendations may have already done this.

Bob Rusten: I think it's important to note that some of the beginning concerns people had have not come through in this process. For example, the Committee did not come to the conclusion that a transition to a defined contribution (DC) made sense at this time. Other comments about specifics of the report?

Councilor Paul: I would say on page 3 more clearly, if in fact it is the sense of the Committee, that based on what we have seen in Burlington and nationally (with DB reform generating greater savings rather than a transition to a DC), this should be made clearer and perhaps written to clearly highlight this.

Councilor Bushor: How should we approach our comments in process?

Bob Rusten: I am aware of the resolution that tells us what we need, and appreciate that not everyone on this Committee is in a position to vote. I think we move from big picture to more specific and let the discussion evolve.

Councilor Bushor: We need the actuarial information from BERS. And, in the minutes, someone had cited that many communities referenced in our research are larger than BTV – if we suspended or reduced COLAs, would that bring the outcome we want? How do we know what the outcome of these actions would be? I'd want to know that before having to take action on change.

Mayor Weinberger: We need to wrap this Committee's work up, and we need to understand the impact of some of the suggestions, and that is the first of the recommendations

Councilor Knodell: Let's focus on the recommendations – who would COLA impact? It makes a difference if this were to impact someone who is dependent on the pension, or someone who has taken another job in addition to this income.

Keith Brainard: In the BERS system, some employees have had a choice whether or not to take a COLA at retirement – that is unique. So, since some get a COLA & some do not, there is some inherent unfairness in this approach [*suspending or reducing COLAs for a set time or until a certain plan condition is met*]. You could, however, suspend the COLA with a promise that once the plan reaches a certain funding level, the lost value would be restored. That would address the fairness question.

Councilor Knodell: Is the COLA change the only thing that touches the unfunded liability?

Mayor Weinberger: Keith's identification of where our system departs from national norms could also provide an opportunity to reduce the unfunded liability.

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Karen Paul: Before we turn exclusively to the recommendations, is there common agreement on pages 2, 3, 4? No significant issues?

John Federico: I have some concerns. Briefly now, though I will need more time with the document to fashion a fully accurate response, I am curious about how we compared our system to national figures and how Keith did that. Also, the City has always had the same amount of risk – it just that the costs associated with that risk have changed. I will try to fashion a written response to share.

Bob Rusten: Any other concerns on sections I or II? John, I should say that I understand your comment about needing more time, so this is not to lock anything in right now. Any issues with Section III?

Councilor Bushor: I agree that nothing has changed with respect to the risk the City bears, but it is worth noting that we have tinkered with the system many times, and we have made the plan richer. That's part of the reason why we are where we are today. I heard that over and over again from people.

Keith Brainard: Point of clarification: A couple things have fundamentally changed about the City's plan and the risk the City bears. The plan is more mature, as more people in the plan are retired, and this increases the burden on the employer. In addition, interest rates were higher ten or 15 years ago – making an 8 percent return at that time was significantly easier. It is harder with interest rates at 2 – 3 percent (as they are now). This shifts risk to employers and taxpayers.

Mike Flora: There is little mention in this report on the assumed rate of return. We have questions about a management fee structure, and that needs to be incorporated.

Brian Lowe: Agreed - we are waiting for the information from BERS before drafting the sections on the actuarial assumptions.

Bob Rusten: Returning to section four then – what other comments do people have, and would people like to respond to Jane's point on the recommendations?

Councilor Bushor: We need to know the impact of these proposed solutions.

Mike Flora: And also, we need to know what the endgame is of this – if we get to 85 percent funded, that would define the structure for us. That's where I'd like to come to a conclusion. We need to know what level would be okay with auditors and would not adversely affect the bond rating. We need to know this to discuss solutions.

Councilor Mason: There isn't a solution currently proposed in the draft paper that simplifies the system. I appreciate that is something that would need to be bargained, but I believe it is something consistent with what the Committee has discussed.

Bob Rusten: Keith, tell me if I am incorrect here. Is it unusual to see more than Class A / Class B plans? Here we have multiple plans within each Class.

Keith Brainard: That is unusual.

Bob Rusten: So, recognizing this would be discussed within the bargaining process, one way to address simplicity would be having one plan within Class A and one plan within Class B.

Councilor Bushor: I would like to register support for what Chip proposed and what Keith said.

Keith Brainard: There are examples of different plans for police and fire, or examples of different tiers. Fire and police is a relatively common example. If what you want is simplicity, there is something to be said for striving toward a unified plan.

Bob Rusten: What I am hearing is that we need additional clarity on the financial impact of proposed solutions, understanding of the impact of COLAs on household incomes, more time to review, not enough data to support some of the contentions in earlier sessions, level of complexity, issues related to underperformance of rate of return, target for the unfunded liability, simplifying plan by having a public safety and a non-public safety plan (understanding there could be differences between fire and police). So, where do we want to go with this?

Jeffrey Wimette: If we had given all the information to Keith, he could have gotten this months ago. I think it is getting to be time to end this Committee and figure out what it wants to do. At the end of the day, we are going to sit down at the bargaining table. If you can't show someone how this benefits them, show people how it will benefit the City, then you can't pass anything. If you can prove it is better for people, and better for the City, then you can probably pass something.

Bob Rusten: In terms of the report itself, and in with the intention of bringing this to conclusion, you mean we should move this to the City Council?

Jeffrey Wimette: Those on the Committee that can vote should move this forward. I have given my input, and will continue to do that, but it's time to bring this to closure. The basic point is that to change the system this group will need to show people how it works and betters everyone or this will not fly.

Councilor Knodell: I realized at the last meeting that some people were not voting members. I think it's too bad. If it is not possible to reach consensus, it is time to move this forward. I wish it would be the whole Committee.

Eileen Blackwood: In response to Jeffrey's comments: We are going to have to figure out what the effects of some of these proposals will be. How will it affect people, and what does it mean. I want to respond to Jeffrey's underlying point and say yes, I agree with that.

Councilor Bushor: I feel like a flashback to 2007. We have a lot of time on the report, but we need to have something to show for it. I certainly respect the fact that people will have to negotiate this. We seemed to have built a good sense of knowledge around the table, and I feel like this is incomplete and don't feel a lot of hope in the future.

Jim Strouse: One of the big things that is missing, and that will help us to flesh out this report, is the input from the BERS Board after we finish our deliberations. We would like to make a decision about the investment of the funds at our next meeting. We can discuss changes to the actuarial assumptions, and we plan to bring our decision to this Committee before implementing anything.

Eileen Blackwood: In response to Councilor Bushor's comments – I'm actually feeling hopeful. The details about what will occur have to occur in collective bargaining. I am hopeful that the Committee is setting the foundation for what is to come – with the City staff, for the City Council, for the unions. There is going to be a lot more to come.

Mike Flora: I want to make sure we are all on board – we had a holistic approach coming into this, and I don't want that to fracture. The non-union folks aren't at the bargaining table. I think it is productive to work together.

Councilor Paul: I was on the 2007 Committee as a citizen. Ultimately, that process was in some ways a waste of time. The unions were not even asked to be at the table. Here, they have been involved, actively participating, and that is good. I also feel like the 2007 report was written before the Committee had even met. I think that 2007 report was lacking in many respects – it wasn't a collaborative process. Only after becoming a City Councilor did I realize how non-collaborative the 2007 report was. I think, however, that the summary paper written here though is different – it is something that could be useful in bargaining discussions and it does reflect our discussion.

Bob Rusten: I don't believe this report could have been written six months ago, and I don't believe it would have been trusted had it been written six months ago. We are in this together – we have to figure out how we do it, but we are in it together. For those who have said from the beginning that they would not vote, but I hope they will feel able to contribute comments to strengthen the paper.

John Federico: The discussion is about breaking promises, and it that makes it hard to build up trust. I've been involved in a number of processes designed to make positive changes, and some of that is misrepresented in this report.

Public Comment by Gene Bergman: I appreciate the desire to move forward and move forward quickly. As an employee, I don't think you've done me a service if you put this out tonight. The detail about contribution rates, for example, is in here, but there's a lot that isn't. Also, it is not clear to me how what I have earned is effected by this report. I would consider those promises to be broken, not changed. I think you're closer than you were, and would encourage you to not make hasty decisions as you continue to work on this.

Joe Keenan. I have three points to make. First, very clear we have two tracks – (i) what we have done with Keith about system design, and (ii) what is the primary track to my mind - the functional changes BERS can make to the actuarial assumptions underlying system itself. Those actuarial changes could have significant impacts. Once we have those changes and how they impact the system, we know where we really are. Getting back to what Mike Flora said, it has not been defined what makes the system healthy. That needs to happen. Second, the resolution that came out reflects reality – I can't vote. I have 72 members and I can't vote on their behalf on this Committee. I respect the fact that the Mayor and Brian have brought us in to this process. We want to come out of that with facts and findings – what we do based on that comes later. Third, I negotiate for my members. I don't negotiate for retirees. I am really uncomfortable with that. The COLA changes proposed by Keith would help the system, but on the backs of about 45 percent of the retirees. Would those benefits would be restored? Maybe. Would everything lost be paid back? Maybe. It will be lost if people die, though, and payback isn't certain.

Mayor Weinberger: I do not think it makes sense for tonight to be the final meeting. People would like more time with the paper, and this is an opportunity to solicit more feedback for two weeks from now; something that people feel comfortable putting their names on - other than the union reps who have said they cannot. Like Eileen, I am also feeling a bit more optimistic. One thing for me that I think makes this feel like a successful process is the evolution in my thinking. There are examples in the country of systems that have instituted automatic adjustments should the system deteriorate – the COLA is an example of such a tool by which you eliminate the need for future negotiations through automatic adjustments.

Relatedly, Keith, we have spoken a bit about this, but in response to Mike's question, do you feel comfortable defining a threshold for a healthy system?

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Keith: 80 percent is a somewhat arbitrary but recognized benchmark of system health. Ultimately it is a stable contribution rate that indicates system health, but 80 percent funded is a generally accepted indicator of health.

Mayor Weinberger: This summary paper to me is not a laundry list of possible solutions – it is a tight and focused list that we need to score [*the impacts of the proposed solutions on the system*]. The process has changed my view of what a successful system could be, has given us specific follow up tasks, and is something we can accomplish together.

Bob Hooper: We need to come to clarity on agreement among the parties here about what is best for the employees and the plans.

Bob Rusten: Here are the five areas we keep coming back to:

1. Who will be impacted?
2. What about benefits already accrued?
3. How to measure success?
4. How to measure impact?
5. COLAs?

Bob Rusten, continuing: The Mayor has suggested, and in some ways I think others have as well, we need to address these questions. We have not had lots of time to look at the report. Do we want to take more time to come back together one last time to give final input and to also see what the BERS suggestions are? And through that process, address some of the areas that are unresolved?

Councilor Bushor: I am frustrated because I don't have answers. Bob, what you recapped is accurate. If you increase contributions and change the multiplier for Class B – what happens to the employee, to the employer, to the taxpayer?

Bob Rusten: If there is interest in the Committee in examining the impact of some of these changes would be, we can have an actuary run the numbers.

Councilor Bushor: I am definitely interested in the recommendation listed as #8 on p. 6. I am interested in learning more about the COLA issue.

Bob Rusten: Keith, any additional suggestions on how to move forward?

Keith Brainard: My sense is that the process has become more political. I have tried to present facts of what other states and cities have done. At this point, the five points you (Bob) laid out are seminal. From my standpoint, the City has to make some changes. I am willing to bet, though I do not have any insider information, that after looking at your system, the actuary will recommend a lower investment return expectation...That will increase the cost of the plan, perhaps by a lot. I understand how much work has gone into this, and I am hopeful that something can be done to keep the system sustainable.

Bob Hooper: Keith, is it your sense that given the unique nature of BERS that the COLA is the way to impact the unfunded liability?

Keith Brainard: Yes.

Bob Rusten: So, meet again in two weeks?

Karen Paul: Yes.

Others: Yes.

Jane Knodell: What would the decision process be in two weeks? My observation of this group process is that we were working toward consensus and everyone was an equal participant. I understand not everyone will be voting. So (following short discussion with Bob Hooper), as the decision process, I'd recommend trying to reach consensus of everyone at the table and that if that fails the voting members can vote.

Bob Rusten: So the idea in two weeks' time is to frame this report in a way there is consensus?

Jim Strouse: I think this Committee will want to hear the report of BERS. I plan to have come to decisions on certain issues, but not to implement anything until after meeting with this Committee. BERS will be meeting on 10/2 and 10/16 – I think this Committee should meet again, and should meet in three weeks so BERS can report.

Bob Rusten: What do people think about having that last meeting on 10/21?

Councilor Knodell: If we commit to 10/21, we need to absorb the information and be prepared to make a decision.

Mayor Weinberger: Bob and Brian would need to have a draft with the actuarial assumption sections filled in. This would need to be distributed ahead of time. If people have reactions to the draft, they could email to Brian or Bob and the draft could be updated well in advance of the meeting.

Bob Rusten: If people have other reactions to the draft, they need to get it to Brian and I within a week or so.

Mayor Weinberger: I am interested to hear what John says as well. Sections I, II, and III will become the basis for the negotiating position for the City – if what is in here is flawed, this is an opportunity for people to correct that.

Jeffrey Wimetete: This has been a good process. These conversations have been shared with members. This summary will be brought into negotiations. I represent the members at BED. I also represent to some degree the City of Burlington. I know what you are talking about and what you are trying to accomplish. Everyone at this table knows what you are trying to accomplish. And, that information is going to go into the negotiations for Fire, Police, AFSCME, and others. Be clear about what you want to accomplish. It is beneficial for me to be here even if I don't vote, because I still have to deal with Eileen and Bob in bargaining whether I vote on this Committee or not.

Bob Rusten: One last point: If we try to address the five questions I laid out (above) at the meeting, it won't work. I think we need to have a sub-group come together representing a range of viewpoints – Mike Flora, Joe Keenan, Brian Lowe, Bob Rusten, Jim Strouse. Anyone else who should be in that group? (no disagreement). Brian and I will deal with the logistics and be in touch. And the meeting on the 21st will hopefully be the last meeting, with the goal of reaching consensus without putting people in a position they are uncomfortable with.

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Mike Flora: Is our little sub-committee tasked with thinking through what the deliverable is for the last meeting? And what that last meeting is going to look like in terms of process?

Bob Rusten: It will probably be organic, and dependent on what people provide in terms of comments and the report. Is there anything else we'd like to ask Keith to do between now and 10/21?

Councilor Paul: Could Keith explain where the national norm data comes from, that would be helpful.

Bob Rusten: And specifically, what the national norm is so people know. Do people think having Keith available makes sense? (yes)

Keith Brainard: I am willing and able to call on 10/21.

Bob Rusten: Thank you. See you all on 10/21

Next Meeting Time: **October 21, 5 - 7pm, Location TBD**